

ABILENE RECREATION COMMISSION
FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

ABILENE RECREATION COMMISSION

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditors' Report	1 - 2
Summary Statement of Receipts, Expenditures and Unencumbered Cash	3
Notes to Financial Statement	4 - 8
<u>Regulatory-Required Supplementary Information</u>	
<u>Schedule 1</u>	
Summary of Expenditures - Actual and Budget	9
<u>Schedule 2</u>	
Schedule of Receipts and Expenditures - Actual and Budget	
Governmental Type Fund:	
2-1 General Fund	10
Special Purpose Fund:	
2-2 Employee Benefits	11



816 N Washington
Junction City, KS 66441
(785) 238-5166
Fax (785) 238-6830

529 Humboldt, Suite I
Manhattan, KS 66502
(785) 537-9700
Fax (785) 537-3734

505 NW 3rd, Suite 1
Abilene, KS 67410
(785) 263-2171
Fax (785) 263-3340

www.pgh-cpa.com

MEMBERS:
American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



INDEPENDENT AUDITORS' REPORT

Pottberg, Gassman & Hoffman, Chtd.

To the Board of the Abilene Recreation Commission
Abilene, Kansas

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash of the Abilene Recreation Commission, Abilene, Kansas (Commission), as of and for the year ended December 31, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Commission to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the

United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Commission as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Commission as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Regulatory-Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

The 2011 Actual column presented in the individual fund schedules (Schedules 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2011 basic financial statement upon when we rendered an unqualified opinion on August 9, 2012. The 2011 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link: <http://www.da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 basic financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 basic financial statement or to the 2011 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 basic financial statement as a whole, on the basis of accounting described in Note 1.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
Abilene, Kansas
July 5, 2013

ABILENE RECREATION COMMISSION

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Fund:							
General Fund	\$ 104,664	-	370,804	351,251	124,217	2,934	127,151
Special Purpose Fund:							
Employee Benefits	26,687	-	62,750	52,246	37,191		37,191
Total Reporting Entity	<u>\$ 131,351</u>	<u>-</u>	<u>433,554</u>	<u>403,497</u>	<u>161,408</u>	<u>2,934</u>	<u>164,342</u>
Composition of Cash:							
Checking Account (see note 2)							<u>\$ 164,342</u>
Total Reporting Entity							<u>\$ 164,342</u>

The notes to the financial statement are an integral part of this statement.

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **General Statement**

The accounting and reporting policies of the Abilene Recreation Commission (Commission) relating to the funds included in the accompanying financial statement conform to the cash basis and budget laws of the State of Kansas. Following is a summary of the more significant policies.

B. **Municipal Financial Reporting Entity**

The Commission is a municipality authorized by K.S.A. 12-1901 under an agreement with Unified School District No. 435 to provide a system of public recreation and playgrounds. The governing body of the Commission consists of five members: two are appointed by USD No. 435 Board of Education, two are appointed by the City Commission of the City of Abilene, Kansas, and the fifth member is appointed by the first four members. The regulatory basis financial statement presents the Commission (the municipality) with no related municipal entities.

C. **Regulatory Basis Fund Types**

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations. Certain funds contain restricted cash because their use is limited by debt covenants, statutory requirements, grant requirements or are held in a fiduciary or agency capacity.

The following types of funds comprise the financial activities of the Commission for the year of 2012:

General Fund – The General Fund is the chief operating fund of the Commission. This Fund is used to account for all resources except those required to be accounted for in another fund and are thus, unrestricted.

Special Purpose Fund – The Special Purpose Fund is used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

D. **Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America**

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide (KMAAG)* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America (continued)

The Commission has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

E. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project and Agency Funds.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

2. DEPOSITS AND INVESTMENTS

The Commission's deposits are maintained by the City of Abilene, Kansas (City) and are restricted within a special purpose fund within the City. The City ensures compliance with applicable Kansas statutes related to depositories, investments, and credit risk.

At December 31, 2012 the carrying amount of the Commission's deposits was \$164,342. The bank balance is included in the total deposits of the City of Abilene. The City's balances were covered by Federal Depository Insurance and collateralized with securities held by the pledging financial institution's agents in the City's name and in a third parties name. Of the total bank balances of the City, deposits at three banks were in excess of federal depository insurance corporation (FDIC) limits. The balance in excess of FDIC limits at each bank was more than 5% of the total City balances which results in a concentration of credit risk per GASBS 40, paragraph 11.

The City had no investments in 2012 on behalf of the Commission.

3. DEFINED BENEFIT PENSION PLAN

Plan description. The Commission participates in the Kansas Public Employees Retirement System (KPERS) a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

4. OTHER POST-EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the Commission allows retirees to participate in the group health insurance plan. The City pays 50% of the premium until age 62 to retirees with 10 or more years of service and each retiree is responsible for the balance. Any remaining subsidy to retirees due to the plan's level premium structure has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

5. COMPENSATED ABSENCES

The Commission's contracted employees fall under the City's policy regarding vacation and leave which allows employees to accumulate vacation and sick leave based on years of continuous service as follows:

Vacation leave is earned by the month. If an employee leaves the Commission, they are entitled to a payment of all accrued vacation pay earned prior to termination or resignation. In 2012, the vacation leave accruals changed from every 10 years to 5; however, the maximum accrual remains the same.

<u>Years of Continuous Service</u>	<u>Vacation Days Accrued</u> <u>(hours / year)</u>
0 – 5	80
5 – 10	100
10 – 15	120
15 – 20	140
20+	160

The dollar amount of accrued vacation the Commission was liable to the City at December 31, 2012 was \$9,131.

Sick leave is accrued at a rate of 8.0 hours per month for all employees, up to a maximum of 120 days (960 hours). Sick leave accumulated is not paid to employees except upon retirement or separation after twenty or more years of regular service, in which the employee shall receive payment for 25% of the unused sick leave – up to a maximum of one calendar month's salary.

The Commission was not liable to the City for any accrued sick leave at December 31, 2012.

6. RELATED PARTY TRANSACTIONS

The Commission entered into an inter-local agreement with the City of Abilene, Kansas (City) on November 12, 1991 and updated this agreement with Memorandums of Understanding on January 17, 2006 and December 19, 2007. Agreements include:

- The City receives funds from and for the Abilene Recreation Commission and expends the funds per the budget established by the Commission and at the direction of the Commission
- The City contracts employees, who are paid in accordance with the City compensation plan, to the Commission
- All property acquired is titled in the name of the City
- The Commission budgets an amount necessary to fund the programs

As of August 18, 2008, all the Commission's funds were held by the City of Abilene.

USD No. 435 levies property taxes for its allocation to the Commission. The Commission in turn provides those funds and other cash receipts to the City of Abilene for payment of expenditures. The Commission utilizes the City's facilities at no cost to the Commission, however, the Commission does pay for certain repairs and maintenance of the facilities. Complete financial information of the City of Abilene, Kansas may be obtained from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link www.da.ks.gov/ar/muniserv/, E-Audits.

ABILENE RECREATION COMMISSION
NOTES TO THE FINANCIAL STATEMENT
DECEMBER 31, 2012

7. **LITIGATION**

There were no legal actions involving the Commission as of December 31, 2012.

8. **COMMITMENTS AND CONTINGENCIES**

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To insure against risk of these types of losses, the City has purchased commercial insurance coverage and the Commission falls under that policy. Settled claims resulting from these risks have not exceeded commercial coverage in the past three fiscal years.

9. **SUBSEQUENT EVENTS**

The Commission's management has evaluated subsequent events through July 5, 2013, the date the financial statement was available to be issued.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

ABILENE RECREATION COMMISSION
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
Governmental Type Fund:					
General Fund	\$ 462,915	-	462,915	351,251	(111,664)
Special Purpose Fund:					
Employee Benefits	67,307	-	67,307	52,246	(15,061)

ABILENE RECREATION COMMISSION**GOVERNMENTAL TYPE FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET****REGULATORY BASIS****FOR THE YEAR ENDED DECEMBER 31, 2012****(WITH COMPARITIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)**

	2011	2012		Variance -
				Over
<u>GENERAL FUND</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts:				
Appropriation from USD No. 435				
Ad Valorem Tax	\$ 148,409	151,189	153,793	(2,604)
Motor Vehicle Tax	19,661	21,899	23,418	(1,519)
Interest on Idle Funds	254	259	1,500	(1,241)
Donations	-	10,080	3,500	6,580
Administrative	2,841	5,802	4,750	1,052
Aquatics	80,372	77,475	83,000	(5,525)
Athletics	72,295	87,826	82,750	5,076
Community Education	4,713	4,877	7,000	(2,123)
Community Center	9,013	10,486	8,000	2,486
Miscellaneous Revenue	603	911	800	111
Total Cash Receipts	<u>338,161</u>	<u>370,804</u>	<u>368,511</u>	<u>2,293</u>
Expenditures:				
Administrative	156,876	157,094	186,115	(29,021)
Aquatics	81,521	70,957	89,800	(18,843)
Athletics	51,658	59,669	74,500	(14,831)
Community Education	5,174	6,590	12,000	(5,410)
Community Center	49,478	55,451	70,500	(15,049)
Special Projects	1,040	1,490	30,000	(28,510)
Total Expenditures	<u>345,747</u>	<u>351,251</u>	<u>462,915</u>	<u>(111,664)</u>
Receipts Over (Under) Expenditures.	(7,586)	19,553		
Unencumbered Cash, January 1	<u>112,250</u>	<u>104,664</u>		
Unencumbered Cash, December 31	<u>\$ 104,664</u>	<u>124,217</u>		

ABILENE RECREATION COMMISSION

SPECIAL PURPOSE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

(WITH COMPARITIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2011)

	<u>2011</u>	<u>2012</u>	<u>Variance -</u>
			<u>Over</u>
<u>EMPLOYEE BENEFITS</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>
			<u>(Under)</u>
Cash Receipts:			
Appropriation from USD No. 435			
Ad Valorem Tax	\$ 55,888	54,307	56,134
Motor Vehicle Tax	6,593	8,443	5,700
Total Cash Receipts	<u>62,481</u>	<u>62,750</u>	<u>61,834</u>
			<u>916</u>
Expenditures:			
Reimbursement to City of Abilene			
FICA	15,517	15,226	17,913
Workmans Comp	5,433	5,411	9,060
Unemployment	1,035	1,282	1,225
Health Insurance	24,545	18,388	29,714
Retirement	10,679	11,746	8,711
Athletic Contribution	354	193	684
Total Expenditures	<u>57,563</u>	<u>52,246</u>	<u>67,307</u>
			<u>(15,061)</u>
Receipts Over (Under) Expenditures	4,918	10,504	
Unencumbered Cash, January 1	21,769	26,687	
Unencumbered Cash, December 31	<u>\$ 26,687</u>	<u>37,191</u>	